

MEMORANDUM

TO: Audit Committee
Jon Strinden
Ron Leingang

FROM: Jamie Kinsella, Internal Auditor

DATE: February 16, 2006

SUBJECT: November 30, 2005 Audit Committee Meeting

In Attendance:
Jon Strinden via conference call
Ron Leingang
Jamie Kinsella
Sparb Collins
Sharon Schiermeister
Leon Heick
Tony Hauck, Eide Bailly

The meeting was called to order at 10:30 a.m.

IV. Miscellaneous

- B. Eide Bailly's Audit Report – Tony Hauck, Audit Manager, Eide Bailly presented the audit report. The audit report will also be presented to the Board at the December board meeting.

I. August 24, 2005 Audit Committee Minutes

The audit committee minutes were examined and approved by the Audit Committee.

II. Internal Audit Quarterly Report

- A. Internal Audit Status Update – Included with the audit committee minutes was the Internal Audit quarterly report which listed all of the projects that are in active status. In addition, an updated Goals and Objectives Report summarizing the status as of the end of the last quarter was also included. This report is also submitted to the Executive Director after the end of the year to be included in the NDPERS Business Plan report to the Board early the next year. There were three audits in the flex comp area that were scheduled for fiscal year end June 30, 2005 that the internal audit division will be unable to complete due to staff shortages and training. The external auditors conducted an audit on flex comp for the fiscal year ending June 30, 2005. Staff requested audit committee approval to cancel the three flex comp audits so staff can focus on other audits/projects. By general consensus, the audit committee approved staff's request.

- B. Quarterly Audit Finding Status Report - As stated in the Audit Policy #103, the Internal

Audit Division is to report quarterly to management and the audit committee the status of the audit findings of the external auditors, as well as any found by the internal auditor. This report includes the recommendations made by Eide Bailly during the 2005 fiscal year end audit. Findings by Internal Audit are included after the final audit report has been issued to management that includes responses to the findings. A copy of the report was included with the audit committee materials.

- C. Annual Internal Audit Plan – A copy of the Internal Audit Plan for the 2006 calendar year was included with the audit committee materials for review and approval. After discussion, since Mr. Collins was out of the office and could not provide input prior to writing the audit plan, Ms. Kinsella will meet with Mr. Collins to review the risk assessment and then determine if the audit plan adequately meets the needs of the agency. The plan will be presented again at the February meeting.

III. Administrative

- A. Conflict of Interest Policy Review – A policy that requires employees to notify management of employment they may have outside NDPERS has been developed and approved by the NDPERS Board in September.
- B. Audit Committee Charter Revision – At the last meeting a revised draft of the internal audit charter was reviewed. Following discussion at the last meeting, it was recommended to research and determine whether the audit committee had authority to approve the charter or if it should go to the Board for approval. Ms. Kinsella indicated it appears that the audit committee reviews the documents with management and the internal audit division. Ms. Kinsella pointed out nothing is said regarding approval of these documents. Ms. Kinsella conveyed the charter should go to the Board for their approval. A copy of the charter and memo will be included in the next Board meeting agenda.

IV. Miscellaneous

- A. 2006 Audit Committee Meeting Dates and Times – Included with the audit committee materials were the 2006 proposed audit committee meeting dates and times. A date change was recommended for the August 2006 meeting. By general consensus, the audit committee approved the revised 2006 audit committee meeting dates and times.
- C. Association of Public Pension Fund Auditors (APPFA) Professional Development Conference – Ms. Kinsella provided an overview of the conference she attended in November.
- B. Publications – A copy of the September 2005 issue of Tone at the Top was included in the audit committee materials. In addition, a copy of a paper put out by The Institute of Internal Auditors titled: “Audit Committee Briefing...Internal Audit Standards: Why They Matter” was included with the audit committee materials. The items were informational only.

The meeting adjourned at 11:25 a.m.